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FISCAL IMPACT STATEMENT

LS 7390

BILL NUMBER: HB 1351

NOTE PREPARED: Jan 6, 2003

BILL AMENDED:

SUBJECT: Volunteer Fire Department Funding.

FIRST AUTHOR: Rep. Denbo

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill imposes an excise tax equal to 5% on firework sales. The bill also establishes and funds the Volunteer Fire Department Fireworks Fund and Board to make loans or grants to volunteer fire departments for firefighting equipment or firefighter training.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The bill imposes a 5% excise tax on gross retail income received by a retail merchant from the sale of fireworks. The Department of State Revenue would determine the method for return filing which may include a separate form or a form combined with the state gross retail tax. To accommodate the reporting change, the Department would have to make changes to its filing and computer systems. The Department's start-up costs of implementing these provisions are estimated to be less than \$50,000.

Also, the bill would create a nine-member Volunteer Fire Department Fireworks Fund Board, including the State Fire Marshal. The Board would develop guidelines for use of money in the Volunteer Fire Department Fireworks Fund to establish revolving loans or grants to volunteer fire departments for equipment purchases or firefighter training. The Office of the State Fire Marshal would provide staff and administrative support to the Board. Office of the State Fire Marshal expenditures are paid currently from the Fire and Building Services Fund, and the bill would allow administrative expenses of the Board to be paid from the Volunteer Fire Department Fireworks Fund.

Explanation of State Revenues: The revenues from the excise tax imposed on firework sales would be deposited in the Volunteer Fire Department Fireworks Fund, established under the bill. Retail sales estimates

were prepared for an interim study committee in 2000. Based on data presented to the committee, it is estimated that a 5% excise tax on fireworks would generate approximately \$2.2 M in FY 2004 and \$2.5 M in FY 2005. Due to the timing of the remittance of the proposed excise tax, the FY 2004 estimate includes collections from 11 of the 12 months that the tax is in effect in FY 2004. [Note: The estimates used were not adjusted for any potential reduced sales resulting from a possible higher price for fireworks because of the new excise tax.]

The excise tax in this proposal is assessed on the pre-sales tax price of the firework. Additionally, the state sales tax would not apply to excise tax portion of the purchase price.

Explanation of Local Expenditures:

Explanation of Local Revenues: There are approximately 720 volunteer fire departments in Indiana. The local units would be eligible for revolving loans or grants for equipment purchases or firefighter training.

State Agencies Affected: Department of State Revenue; Auditor of State; Office of the State Fire Marshal.

Local Agencies Affected: Volunteer Fire Departments.

Information Sources: Lee A Craig, Ph.D., *Estimates of the Economic Impact of the Fireworks Industry in Indiana*, Oct. 15, 2000, submitted to the 2000 Interim Study Committee on Public Safety Issues.

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